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United Nations Industrial Development Organization

Industrial Development Board

Twenty-fifth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 15 May 2002, at 10 a.m.

Temporary President: Mr. HOSSEINI (Islamic Republic of Iran)
President: Mr. HORVATH (Hungary)

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The meeting was called to order at 10.25 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-fifth session of the Industrial Development Board.

2. He thanked the Director-General and the Secretariat for their support during his term of office as President of the Board. It had been an honour to hold the post. He recalled that the objective of UNIDO was to promote and accelerate industrial development in developing countries. If that aim was to be achieved, the good will and spirit of consensus demonstrated at previous sessions would again need to be shown.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. I. Horváth (Hungary) for the post of President; Mr. S. Shoukry (Egypt), Mr. Y. Takasu (Japan) and Mr. R. González Aninat (Chile) for the posts of Vice-President; and Mr. M. Hamedani (Islamic Republic of Iran) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *The President took the Chair.*

6. **The PRESIDENT** recalled that the twenty-fifth session was the first meeting of the Board since the ninth session of the General Conference in December 2001, which had marked a turning point in the Organization's life. Member States had been in agreement that UNIDO had passed through the most difficult stage of reform, and they had re-elected the Director-General to a second term. They had also established a new scale of assessments on the basis of more equitable burden-sharing and, looking to the future, had approved the medium-term programme framework, 2002-2005.

7. He emphasized the importance of looking forward. Naturally, stability must be maintained, but it was also vital to fully use the potential of the Organization as a global player in such areas as environmental protection and technical development to help all Member States. It was a complex task, but he was confident that all those present were concerned to seek the best possible solutions on the basis of cooperation and compromise.

ADOPTION OF THE AGENDA (IDB.25/1 and Add.1; IDB.25/CRP.1)

8. **The PRESIDENT** noted that the provisional agenda (IDB.25/1) did not include the item "Adoption of the report". He suggested that that should be added as item 10.

9. *It was so decided.*

10. *The provisional agenda (IDB.25/1), as amended, was adopted.*

STATEMENT BY THE STATE MINISTER FOR TRADE AND INDUSTRY OF ETHIOPIA

11. **Mr. HAILE** (State Minister for Trade and Industry of Ethiopia) said that he wished to underline the African countries' efforts to set the continent on the road to sustainable development. They had, both collectively and individually, adopted a number of measures, including the New African Initiative, subsequently renamed the New Partnership for African Development (NEPAD). The main thrust was the continent's acknowledgement of responsibility for its own fate and of the need for peace, security, democracy, good governance and sound macroeconomic management as prerequisites for economic growth and sustainable development. Since Africa currently lacked the required resources and capacity to implement the programme, commitments would also be needed from the international community. Africa therefore expected that UNIDO would respond by enhancing existing programmes and formulating new ones.

12. His Government attached great importance to the work of UNIDO, which had provided the country with technical assistance since 1983. In 2000, UNIDO had formulated the integrated programme for Ethiopia, which aimed to help the Government transform the structure of the economy by developing industry and services, in line with the country's long-term development strategy of "agricultural development-led industrialization". The integrated programme for Ethiopia placed particular emphasis on food security, the development of small and medium enterprises, the strengthening of government institutions and environmental protection. Some positive results had been achieved in the reduction of post-harvest losses and in the increasing number of tanneries incorporating effluent treatment plants to control hazardous environmental effects. In that context, he thanked the Director-General for personally leading a delegation to Ethiopia to assess the outcome of the programme and identify the way forward. It had been agreed that UNIDO would focus on crucial branches of the economy, including private-sector development. Food, textiles and leather would be targeted and UNIDO activities would be carried out in close cooperation with the private sector, which played a catalytic role in terms of job and wealth creation.

13. Contributions by donors had been encouraging; a major part of the funding required for the programme had been secured. In that connection, he expressed the Government's gratitude to donor countries and organizations.

14. The UNIDO integrated programmes had had positive effects. Resources, however, remained meagre and implementation slow. The programmes could therefore have hardly any real impact on reducing poverty or improving competitiveness. More funding should be provided for the integrated programmes, which constituted the core activities of the Organization.

15. His Government welcomed the launching of the UNIDO-Africa Investment Promotion Agency (IPA) Network, which was intended to address some of the problems faced by the continent's IPAs. It should, however, be complemented with additional investment and technology promotion measures, in close cooperation with relevant organs of the Organization of African Unity and regional economic communities. The human and financial resources of UNIDO field offices and national, regional and subregional offices should be strengthened. The mandates of national offices and regional centres should also be clearly delineated.

16. Given that selected research topics and partners were crucial to the rapid industrial development of the least developed countries (LDCs), UNIDO should involve the universities and research institutions of developing countries in its work. Such involvement could bring multiple benefits: the organizations were well placed to identify the most urgent needs of their communities; cooperation would reduce research costs and enhance the capacities of local institutions; and experienced professionals might be induced to remain in developing countries.

17. Ethiopia honoured its obligations under the UNIDO Constitution. Indeed, it was one of the few LDCs that had already paid its assessed contribution for 2002 in full. It had done so not because its financial performance was better than that of other countries but because of its strong belief in the Organization. His Government expected a similar commitment from other Member States and reiterated its own commitment to further strengthening its partnership with UNIDO at a time when the country had launched a national capacity-building and civil service reform programme in order to achieve accelerated economic growth.

STATEMENT BY THE MINISTER OF ENTERPRISE DEVELOPMENT, INDUSTRIAL POLICY AND INVESTMENT PROMOTION OF SRI LANKA

18. **Mr. PEIRIS** (Minister of Enterprise Development, Industrial Policy and Investment Promotion of Sri Lanka) said that the UNIDO integrated programmes were a symbol of the regeneration of the Organization. With the successful completion of the reforms and with experience derived from the integrated programmes, it was time for the Board and the Director-General to look at the next four years and consider which programmes to concentrate on. The Sri Lanka programme, one of the first integrated programmes, was, with funding of over US$ 6 million, the second largest in terms of funding. That was particularly appropriate in view of the peace process launched by the new Government.

19. He was highly pleased with the content of the programme, the technical delivery and, in particular, the commitment and knowledge of the UNIDO technical staff. A master plan for industrialization had been developed over a very short space of time and his Ministry was being transformed under the programme to give it a high private-sector focus and make it more service-oriented and efficient. The Ministry had acquired know-how on business incubators and a subcontracting and partnership exchange had been launched. The programme had three distinct components concerned with the environment and sustainable development. In that context, he had recently opened the National Cleaner Production Centre (NCPC) in Sri Lanka, which was the largest—in terms of funding—of all the 23 UNIDO NCPCs. An indispensable requirement for the success of a given programme was that the beneficiary Government should retain ownership. In his country's case, the programme was owned by the Government, while the National Project Director was from the private sector and many private-sector institutions were active stakeholders.

20. He noted that the integrated programmes had so far attracted funding amounting to US$ 86.5 million, whereas the requirement was about US$ 257 million. Although the Board should encourage the donor community to provide additional funds, the beneficiary Government should also be a partner in the exercise. Sri Lanka had launched two donor conferences, and the programme had thus attracted significant funds, for which he expressed appreciation. The programme had also benefited from UNIDO core funding derived from special contributions from donor countries.

21. Sri Lanka had been embroiled in an ethnic crisis over the past 20 years, which had prevented the country from fulfilling its economic potential. In 2001, for the first time since independence, the economy had shown negative growth, as a direct result of heavy defence expenditure and the separatist war. Thanks to help from the Government of Norway, the Government was about to enter into formal peace talks. Peace required economic growth, and many donors were already assisting in reviving the economy. The country's recent development had been achieved mostly through the

development of industry, and the integrated programme would be crucial in supporting economic revival, particularly in the former conflict areas.

22. Given the highly technical nature of integrated programmes, a detailed technical evaluation, especially of programmes such as that in Sri Lanka, which was at a mature stage, would be beneficial to both UNIDO and Member States. He was therefore glad that the UNIDO Executive Board had recently approved an in-depth evaluation of the Sri Lanka and other programmes. In that context, he invited the Director-General to visit the country and assess for himself the profound impact UNIDO activities were having.

23. UNIDO programmes should be viewed within the wider context of the global development debate. In that context, the recent International Conference on Financing for Development at Monterrey, Mexico, had been most timely. His country, having undergone part of the industrialization process, had been faced with trade-related technical barriers, under which exporters were obliged to submit internationally acceptable test certificates and evidence of compliance with various international standards. The UNIDO programme, however, had taken the barriers into account and planned the necessary capacity-building measures. By August 2002, Sri Lanka would have five internationally accredited testing laboratories and a national system that complied with the ISO 14000 environmental management system. UNIDO support had thus enabled Sri Lanka to derive benefits from globalization. His Government also welcomed the new UNIDO trust fund established to support capacity development for trade facilitation. He urged the donor community to contribute to the fund.

STATEMENT BY THE MINISTER OF INDUSTRY AND TRADE OF THE UNITED REPUBLIC OF TANZANIA

24. **Mr. NGASONGWA** (Minister of Industry and Trade of the United Republic of Tanzania) said that, at the Fourth Ministerial Conference of the World Trade Organization (WTO), at Doha, Qatar, a decision had been taken to begin a new round of multilateral trade negotiations, in which developing countries would have to participate fully. In the current era of globalization, the international community should assist the developing countries, particularly such LDCs as the United Republic of Tanzania, in building their productive capacities in order to be able to participate fully in world trade. Failure to provide such assistance would result in the further marginalization of vulnerable economies.

25. In addition to global economic integration, increasing emphasis was being placed on regional economic integration. The developing and the least developed countries would have to face those challenges as they sought to fulfil their obligation to open their markets while at the same time making efforts to improve their ability to take advantage of emerging regional and global opportunities.

26. The United Republic of Tanzania was making efforts to become an economy in which the private sector played a dynamic role in the industrialization process, which was one way of ensuring that it benefited from globalization. However, the call for globalization, deregulation and liberalization should not divert the international community's attention from the pressing problems of poverty, unemployment and inequality. The Millennium Development Goals and the Monterrey Consensus, both of which had been adopted under United Nations auspices, should form the basis of a comprehensive international development agenda. In that regard, the international community should support the work of the International Labour Organization (ILO) on the social dimensions of globalization.

27. For the past several years, the United Republic of Tanzania had been implementing a series of wide-ranging policy reforms. It had begun by creating an enabling environment for economic growth through mobilization of resources from the Tanzanian and foreign private sectors. Those measures had been complemented by extensive reforms in such areas as finance, trade, agriculture, mining, manufacturing and tourism. The reforms had also involved the divestiture of public enterprises. Inflation had been reduced to a single digit, as compared with the inflation rate of over 30 per cent in the mid-1990s. In 2001, the country's gross domestic product (GDP) had increased by 4.6 per cent. However, those achievements could not be sustained without an adequate response from the private sector. It was therefore necessary to intensify sectoral and micro-level interventions. In that connection, he commended the emphasis that UNIDO placed on programmes geared to systemic interventions to address supply-side constraints.

28. The relationship between the United Republic of Tanzania and UNIDO had always been excellent. In 1999, the first phase of the Integrated Industrial Development Programme had been launched. The Programme comprised six major components: implementation of the Sustainable Industrial Development Policy; development of small and medium enterprises (SMEs); investment promotion and finance; productivity, technology and competitiveness; environment; and private sector development. During the implementation of the Programme's first phase, which had lasted three years, success had been achieved in improving the competitiveness of the industrial sector in regional and international markets, publishing two issues of a review of industrial and trade sector

performance and strengthening a statistical and information programme on the industrial sector.

29. An SME development policy had been finalized and would soon be submitted to the Government for approval. The Tanzania Investment Steering Committee, which was chaired by the Prime Minister, was currently operational. Investment regulations had been developed, and investment promotion delegations had been organized. Companies in a number of countries had shown interest in investing in the United Republic of Tanzania, and several initial agreements had been signed. He hoped that interest in investing in his country would increase when new legislation on export processing zones took effect in July 2002.

30. With regard to productivity, technology and competitiveness, he said that, following the European Union's ban on Tanzanian exports of Nile perch, UNIDO had undertaken a comprehensive programme on quality management and certification. The result was that the United Republic of Tanzania had become the first East African country to have the ban lifted. Annual income from such exports currently amounted to about US$ 140 million. Another important aspect of the programme had been the development of female entrepreneurship in the areas of food processing and textiles. The results of professional studies of the leather sector had enabled the Ministry of Industry and Trade to prepare specific recommendations on the revitalization of the leather sector based on a holistic approach.

31. Turning to environment-related issues, he said that a programme for cleaner production in factories had been developed, and studies on waste management and recycling had been undertaken. A project would be carried out in Dar-es-Salaam to handle paper and plastics waste. There was a market for recycled products in the United Republic of Tanzania, Kenya and South Africa.

32. Private-sector organizations, such as the Confederation of Tanzania Industries and the Tanzania Chamber of Commerce, Industry and Agriculture, had been strengthened and a training programme for the informal sector had been developed. A public/private sector consultative process had culminated, in April 2001, in the establishment of the Tanzania National Business Council, which was chaired by the country's President.

33. He commended the Organization's initiatives on transfer of technology and know-how, with particular reference to the Punjab-based, UNIDO-sponsored research on machinery and auto parts. His country had taken advantage of the training facilities under that programme, being aware of the importance of machine tool technology in the transition from a predominantly agrarian to an industry-based economy.

34. In recognition of UNIDO's commendable work, the Tanzanian Government had cleared its arrears of over US$ 69,000, with the consequent restoration of its voting rights. His country would continue to honour its obligations to UNIDO whenever its financial capacity permitted. As a Member of UNIDO, the United Republic of Tanzania stressed the need for Member States to honour their obligations in order to enable UNIDO to continue delivering services in its area of competence.

35. The United Republic of Tanzania was currently working closely with UNIDO experts in order to finalize the second phase of the Integrated Industrial Development Programme. While the second phase would carry over some first-phase activities, it would focus on SME development and promotion, environment management and the agro- and food-processing sector in order to mitigate post-harvest losses, which accounted for up to 40 per cent of farm produce. The Tanzanian Government had established the Ministerial Steering Committee, which he personally chaired, to oversee the second phase of the Programme. He called upon all cooperating partners to provide assistance in the financing of the Programme's second phase.

STATEMENT BY THE DIRECTOR-GENERAL

36. **Mr. MAGARIÑOS** (Director-General) congratulated the President and the other members of the Bureau on their election, and expressed his gratitude to the departing President for his excellent work.

37. After the turbulent period of the 1990s, UNIDO was entering its fourth consecutive year of stability and growth. The 2000-2001 biennium had been a time of achievement for the Organization. The collection rate of assessed contributions for 2001 had been about 92 per cent, one of the highest since UNIDO had become a specialized agency. Moreover, in 2001, US$ 11 million had been collected against arrears. The overall implementation of the budget for the biennium had been one of the highest: 96.4 per cent of the approved budget. The higher implementation in 2000-2001 had been due to better management of financial resources at the Organization's disposal. The operational budget had also shown a surplus of US$ 1.4 million for the biennium, and the reserve level had increased to US$ 3 million at the end of 2001, owing partly to higher technical cooperation delivery in 2001, which had amounted to about US$ 85 million.

38. In 2002, the regular budget cash balance, including the Working Capital Fund, had been about 36 million euros at the end of April. According to financial regulation 5.5 (b), assessed contributions were due from Member States within 30 days of receipt of the communication from the Organization, which meant

that all contributions should have been received in January. At the end of April 2002, the collection rate had been about 56 per cent, which compared favourably with past years. Some major outstanding contributions were expected soon. He urged Member States that had not yet done so to fulfil their obligations to the Organization as soon as possible. There were currently 57 Member States without voting rights, including one member of the Board. It was worth noting that Ukraine had not only signed the payment plan recently approved but had also paid the first instalment amounting to some US$ 900,000. That had encouraged some other Member States to settle their arrears through payment plans.

39. Delivery of technical cooperation for the first four months of 2002 had been very encouraging and amounted to some US$ 38 million. If that trend continued, it should be possible to exceed the delivery rate of 2001, which in turn had been an improvement over the 2000 rate.

40. Owing to the political conditions prevailing in UNIDO at the beginning of his first term, he had not been able to follow a desirable pattern of recruitment for the Organization's human resources. During the period from January 1999 to April 2000, the Organization had made 12 appointments, mostly at the senior levels. With regard to gender, only 25 per cent of the total number of appointments had been for female Professionals. An analysis of geographical balance indicated that the majority of appointments had come from Western Europe and other States (67 per cent). There had been one candidate from Asia and the Pacific and three from Latin America and the Caribbean (8 per cent and 25 per cent respectively).

41. For the period from May 2000 to April 2001, 23 staff members had been appointed. With regard to gender, the proportion vis-à-vis the previous cycle had remained constant: 26 per cent of the staff recruited had been Professional women and 74 per cent had been males. The geographical distribution of appointments had improved slightly: of the total number of appointments, 26 per cent of the staff recruited had been from Asia and the Pacific, 13 per cent from Africa, 13 per cent from Latin America and the Caribbean, 9 per cent from Eastern Europe and the Newly Independent States of the former Soviet Union (NIS), and 39 per cent from Western Europe and other States.

42. In May 2001, UNIDO had recruited 20 Professionals through a strictly competitive selection process. All appointments had been made at the P-3 and P-4 levels for a highly specialized technical cadre that had replaced long-term generalists at higher grades. No appointments had been made under the 200 Series of the Staff Rules. In terms of geographical representation, the May 2001 recruitment drive had shown a considerable increase in the number of staff recruited from Africa as well as from Asia and the Pacific. Of the total number of appointments, 35 per cent had been from Asia and the Pacific, 30 per cent from Africa, 5 per cent from Eastern Europe and NIS, and 30 per cent from Western Europe and other States. With regard to gender, 40 per cent of the staff recruited had been women. The time allocated for the recruitment process had been considerably reduced. In the past, it had taken UNIDO approximately seven months to complete a recruitment process. During the May 2001 recruitment drive, the process had been completed in three and a half months.

43. Clear improvements had been made in the areas of financial performance, technical cooperation delivery and personnel. The integrated programmes had made a promising start. The success of the Organization's reform process was widely recognized. However, in view of the challenges that lay ahead, sustained efforts were needed to ensure that the Organization continued to move forward.

44. UNIDO had achieved particular recognition in the fields of quality, metrology and standardization, and the implementation of the international protocols relating to the environment. The challenge for the coming four years was to enhance the reputation of UNIDO further in a certain number of fields. Work was needed on the formulation and implementation of technical cooperation delivery. UNIDO had basically two modalities of technical cooperation: integrated programmes and stand-alone projects. Integrated programmes were being carried out in 48 countries and a high degree of integration had been achieved at the formulation stage. There had been a lot of interaction with the recipient countries, and a number of countries had decided to invest in their own programmes and were contributing substantively to their funding. However, more integration was needed in the implementation phase and measures were being taken to bring about improvements in that regard. For example, it had recently been decided to allocate all the funds for a given integrated programme to the team leader instead of allocating separate amounts to each team member. A system of rewards for the best integrated programmes and team leaders, based on performance, had also been approved. Basically, more should be done at the field level to achieve more coherent implementation of integrated programmes.

45. Integrated programmes represented only 25 per cent of technical cooperation delivery. Stand-alone projects, implementation of international protocols and the Investment and Technology Promotion Offices accounted for the remaining 75 per cent. In the case of stand-alone projects, there were no problems in the implementation phase, but improvements were needed at the formulation stage.

46. More generally, the Organization's activities should contribute to the goals outlined in the United Nations Millennium Declaration and the development objectives of the international community. The General Conference had adopted the medium-term programme framework, 2002-2005, as a guideline for developing the Organization's interventions. He hoped that intensive discussions would take place during the Board sessions and between sessions to further refine UNIDO's intervention in the areas agreed in the medium-term programme framework. In that regard, he welcomed the proposals made by some Member Sates to foster the debate.

47. The Secretariat had a role to play in improving the impact of the Organization's technical cooperation activities, and its two technical divisions had been merged with the aim of providing more integration and interaction. Steps had also been taken to strengthen the process of decentralization and coordination of activities at the field level. In the same spirit, the Secretariat was working on the preparation of a new set of initiatives for submission to the governing bodies. Efforts were likewise being made to strengthen cooperation with the private sector and civil society organizations, with a view to tapping their potential as service providers and advocates for change.

48. In accordance with the wishes of Member States, the Secretariat had been giving priority to Africa and would continue to do so. It would continue to scrutinize its technical cooperation delivery both at Headquarters and in the field. Between August and October 2001, he had met all the team leaders and discussed every aspect of the integrated programmes. Since the start of his second term, he had visited 17 countries and participated in a number of major international conferences.

49. UNIDO could not claim a place in the future on the basis of past achievements. It had to face new challenges and play a meaningful role in the efforts of the international community to defeat poverty, marginalization and backwardness. He was confident that the commitment and dedication of Member States would ensure its success.

ORGANIZATION OF WORK

50. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

51. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 2001 (IDB.25/2 and Add.1; IDB.25/CRP.7, IDB.25/CRP.8)

52. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, commended the Secretariat for its work in 2001. He welcomed the Organization's global forum activities. However, those activities should be focused on improving technical cooperation. He also welcomed the proposal to organize a global forum on biotechnology and the offer made by the Government of Chile to host that event in September 2003. In order to achieve the development goals set by the Millennium Declaration, UNIDO should strengthen its cooperation with relevant partners to help developing countries enhance their industrial capacities.

53. South-South cooperation was an important tool for strengthening the economic growth of developing countries and ensuring their equitable and effective participation in the emerging global economic order. He therefore commended the Secretariat for its participation in the Tenth Meeting of the Intergovernmental Follow-up and Coordination Committee on Economic Cooperation among Developing Countries and urged it to take the necessary action to follow up the decisions taken.

54. Investment promotion and institutional capacity-building activities were crucial for combating marginalization and reducing poverty. However, lack of finance remained a problem for the development of small and medium enterprises and he welcomed plans to enhance cooperation with private-sector equity funds in that regard. He noted UNIDO's increased activities in the framework of the Global Environment Facility (GEF) and other organizations, through which additional funds were available to implement programmes. UNIDO should continue those activities and make sustained efforts to incorporate environmental considerations into industrial policies and programmes. Its sectoral support activities should also be strengthened. Field offices needed to play a more dynamic role in technical cooperation delivery, and coordination between them and Headquarters should be further improved.

55. Performance management was central to the Organization's ability to discharge its mandate, as was the availability of adequate financial resources. The funds required for integrated programmes approved in 2001 had amounted to US$ 257 million, yet only US$ 81 million had been mobilized. Although the amount approved for technical cooperation in 2001 had increased slightly in comparison with 2000, it was still far below the amounts approved in 1996 and 1997. He urged Member States to provide the funds necessary for

the Organization to implement all its integrated programmes.

56. The improved collection rate of assessed contributions and the cost reductions in certain areas were to be commended. Efforts to modernize management practices were also to be welcomed and care should be taken to ensure that they translated into increased efficiency and staff confidence. Activities relating to innovation and learning and the improvement of internal processes were important, but the "objective indicators" in figure 13 in chapter V, section C, of the Annual Report 2001 required some improvement.

57. **Mr. NUÑEZ GARCIA SAUCO** (Spain), speaking on behalf of the European Union and the associated States Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Romania, Slovakia, Slovenia and Turkey, said that continuing internal reform was not an end in itself but a means to the end of enabling UNIDO to reduce poverty and marginalization, areas where it was now better placed to play a crucial role. In that regard, the European Union strongly supported UNIDO's efforts to redesign its service modules to focus on the targets set out in the Millennium Declaration.

58. The European Union confirmed its commitment to implementation of the Business Plan, as refined by the medium-term programme framework, and to continuing modernization of UNIDO. The continued improvement in the organization's performance through its focus on the areas highlighted in the 1997 Business Plan on the Role and Functions of UNIDO and, in particular, the recovery in the level of technical cooperation delivery in 2001 were welcome, as was the new structure of the Secretariat and the policy of developing managerial competencies, allowing UNIDO to further improve the quality, delivery and impact of its technical cooperation.

59. The increased financial support provided in 2001 by European Union member States to the Industrial Development Fund and the trust funds, and the decision by the European Commission to finance the quality and standardization programme implemented by UNIDO in the Western African region, underscored the European Union's view of UNIDO as a serious and responsible partner in global efforts to achieve sustainable development. In addition to providing financial support, however, the European Union had also established a continuous dialogue with the Secretariat on a range of subjects such as improving management practices, enhancing the relevance of the Organization's field presence and identifying investment opportunities of benefit to developing countries.

60. The European Union acknowledged that the integrated programmes were now the principal instrument of technical cooperation delivery, and supported the further development of that concept, building on the experience gained during the first years of implementation of the Business Plan. Continued evaluation of the existing programmes would help the Secretariat to define the appropriate approach to further refining those activities in order to make best use of the limited resources available.

61. The European Union urged the Secretariat to study the feasibility of regional programmes wherever appropriate, and attached great importance to achieving a more effective role for regional offices and using available national experience in the regions where operational activities were under way. In addition, in all its technical cooperation activities UNIDO should pay increased attention to fostering South-South cooperation.

62. UNIDO should continue to focus its efforts on poverty elimination, especially in the poorest countries, in line with Poverty Reduction Strategy Processes where they existed. It should keep its activities under constant review to ensure continued observance of the principle of comparative advantage and to avoid overlap with the work of other development agencies.

63. The European Union welcomed the Director-General's efforts to correlate UNIDO's activities, as mandated by Member States, to available resources. It welcomed the Organization's determination to take advantage of the possibilities offered by the Doha Development Agenda and its funding arrangements, and to contribute expertise to the technical assistance and capacity programmes to be developed in the follow-up process to Doha, including the Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries.

64. UNIDO's global forum function was integral to its mandate; well-targeted global forum activities could form an important basis for further developing the Organization's services and its ability to respond to ongoing changes in worldwide industrial development. In the long term, the global forum function ensured that UNIDO could deliver updated and high-quality assistance to the developing countries.

65. The European Union appreciated UNIDO's active efforts to increase cooperation with other organizations of the United Nations system, especially including its involvement in the United Nations Development Assistance Framework (UNDAF) process, and urged the Organization to explore ways of intensifying coordination and coherence within the system. It would welcome a report from UNIDO on its experience of the UNDAF process to date, examining the degree of integration and synergy achieved by the development agencies and the possible benefits derived by UNIDO from the process.

66. **Mr. MOONESINGHE** (Sri Lanka), speaking on behalf of the Asian Group, which associated itself with the Group of 77 and China, said that the integrated programmes and country service frameworks should be further strengthened, given their importance in promoting sustainable industrial development. An improved financing strategy was also needed in order to ensure their more effective implementation. With regard to UNIDO's sectoral support activities, his Group urged diversification to other indigenous agro-industry sectors in order to contribute to environmental preservation as well as income generation.

67. The Asian Group welcomed UNIDO's increased cooperation with other organizations of the United Nations system in the implementation of international protocols, conventions and funds as a way of mobilizing resources and improving project delivery. It called upon UNIDO, as an executing agency of the Global Environment Facility, to make full use of the resources offered by GEF and other institutions in the formulation and implementation of projects based on environmentally sound technologies, and to continue its promotional work in that area in order to keep Member States informed of the priorities, criteria and procedures involved in project selection and preparation under GEF and the Montreal Protocol.

68. The funding of activities planned under the integrated programmes continued to be inadequate. In the Arab region, as at 31 December 2001 almost 73 per cent of such activities were still awaiting funding, while in the Asia-Pacific region the figure was almost 79 per cent. Furthermore, of the total funds allocated for integrated programmes during 2001, the Asia-Pacific region's share was a mere 9.87 per cent, and no new project for the region had been approved from the regular budget that year. It was vital that the integrated programmes currently under preparation in the Asia-Pacific region should be finalized as quickly as possible and that, in general, donors should increase their funding of the programmes and the Secretariat redouble its efforts to improve the situation.

69. He stressed the importance of the field offices in the effective delivery of technical assistance to the developing countries. Coordination between field representatives and Headquarters should be improved so that field offices could become more dynamic.

70. The Asian Group commended UNIDO's improved performance in recent years, resulting from its administrative and programmatic reforms. With that process almost complete, the emphasis should now be on furthering the Organization's fund-mobilizing and delivery capability in order to consolidate the gains achieved. The prototype "balanced scorecard" should be further developed in order to give a more tangible idea of UNIDO's output.

71. The increased level of voluntary contributions in 2001 was a positive trend that should be sustained. UNIDO should continue collaborating with other agencies to generate greater resources, without prejudice to the regular technical cooperation programme. Also encouraging was the improved collection of assessed contributions, in which area further improvements should be sought. The increase in technical cooperation approvals and delivery and the improvement in the leverage ratio were welcome developments, as was the increase in expenditure on the regular programme of technical cooperation as a percentage of total expenditure. That had brought average regular programme expenditure during the past biennium to near the 6 per cent benchmark.

72. The Asian Group requested the Secretariat to further develop its methodology and criteria for the appointment of experts, for the allocation of training activities, fellowships and study courses and for country promotion presentation, in order to benefit a maximum number of Member States.

73. With regard to agenda item 4, he expressed satisfaction at the improvement in the Organization's financial situation, as reflected in the operational budget surplus and in the sound regular budget cash balance as at 31 March 2002. The support shown by Member States and the Secretariat's efforts to maintain the Organization's financial stability were praiseworthy. An increase to US$ 88.2 million had been registered in the funds mobilized for activities under the integrated programmes, with an additional US$ 15 million reportedly at an advanced stage of negotiation. Overall, however, the availability of funds for integrated programmes was a cause for concern. The Secretariat should also continue its efforts to recover the outstanding contributions owed by current and former Member States.

74. With regard to item 5, concerning the Investment and Technology Promotion Offices (ITPOs), the Asian Group recognized the importance of such offices in rendering assistance and providing venues for business ventures bringing together entrepreneurs from the host country and abroad. It appreciated the support of the host countries for industrial partnerships particularly benefiting small and medium enterprises. The Group agreed with the guidelines for the functioning of ITPOs proposed in document IDB.25/4.

75. Turning to item 6, on UNIDO involvement in major international conferences, he noted that UNIDO's initiative on venture capital in response to the Monterrey Consensus that had emerged from the International Conference on Financing for Development was expected to help provide concrete innovative approaches to the mobilization of funds, a factor crucial to all development, including industrial development.

UNIDO's second initiative, on strengthening the supply capacity of developing countries to enable them to participate in international trade, was also of great interest and, like the first initiative, called for effective follow-up.

76. It was expected that UNIDO's active involvement in the preparatory process for the World Summit on Sustainable Development would influence the negotiated text so that it would reflect the role of industrial development in achieving sustainable development and facilitate the transfer of environmentally sound technology. With a view to strengthening its own role as a partner in multilateral development cooperation and enhancing the value of its services, UNIDO should continue its active involvement in the Summit, whose outcome should stress the importance of sustainable industrial development in eradicating poverty.

77. Lastly, on item 7, regarding Joint Inspection Unit (JIU) activities relevant to UNIDO, he noted the positive evaluation of UNIDO's contribution to science and technology for development, as reflected in the JIU report contained in document JIU/REP/2001/2. By further strengthening its internal capacity and ability to mobilize funds and bringing into play its global forum function, UNIDO could play a leading role in coordinating and supporting programmes within the United Nations system, drawing on its experience in establishing a linkage between science and technology on the one hand and the productive sector on the other.

The meeting rose at 12.40 p.m.